Pamphlets on finance

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THE RAPID DECLINE IN THE PRODUCTION OF THE PRECIOUS METALS IN THE UNITED STATES.

THE

REFINING AND COINING OF GOLD, AND THE MINT CHARGES THEREFOR,

CONSIDERED WITH REFERENCE TO

Our Excessive Exports and Diminished Coinage,

AND THE NECESSITIES FOR

AN INCREASE OF METALLIC CIRCULATION,

AS A MEANS OF

RESUMING SPECIE PAYMENTS.

BY

LOUIS A. GARNETT,

MANAGER OF THE SAN FRANCISCO ASSAYING AND REFINING WORKS.

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SAN FRANCISCO ASSAYING AND REFINING WORKS,
September 1st, 1869.

To the Hon.

COMMITTEEE OF WAYS AND MEANS,

House of Representatives, United States.

Referring to our several conversations during your recent sojourn on this coast, upon the subject of our production of the precious metals, the refining and coinage of gold and silver, and the practical relations which they bear to the financial necessities of the General Government, as well as to the commercial exchanges of the country, it is with profound deference, and not without reluctance, that I venture to act upon the suggestion of submitting in writing my personal views and observations upon the subject.

I can only premise in extenuation, that my personal pursuits for the past fifteen years have brought me constantly into immediate contact with the metallic product of this coast; and the exigencies arising in my own business, as well as in that of our other domestic industries with which it is intimately connected, have compelled me to observe with more than ordinary attention the phenomena resulting from the various influences affecting this product, and their corresponding effects upon the general business of the country, as well as upon our more local affairs.

The subject may, doubtless, strike many at first as being only of local importance, or as affecting the

interests of but a few individuals. A slight examination, however, will serve to show that it not only involves questions of the first importance to the mining and commercial interests of this coast, but also to the financial policy of the General Government, and underlies all those important and practical questions of the day which have grown out of an expanded paper circulation, the inflation of prices, and other concomitant anomalies incident thereto; and, therefore, affects more or less directly the ultimate resumption of specie payments.

It is with reference to its relations to this paramount question that I beg to submit a few facts touching, first, the resources upon which we must rely for the consummation of such a measure; and, secondly, as indicating the extent to which that event will probably be controlled by our own production of the precious metals, and the operation of those domestic regulations and commercial influences now affecting both their production and ultimate destination.

To secure greater method and perspicuity in the consideration of the subject, it is, perhaps, best to enunciate distinctly, at the outset, the proposition to be considered I will, therefore, assume, as a postulate:

1st. That the present practice of the Government of refining gold and silver does not legitimately pertain to minting operations, nor necessarily to the constitutional authority of the Government "to coin money and regulate the value thereof." That it is a source of heavy expense, without any adequate benefit, and should, therefore, be abandoned and left to private enterprise, in accordance with the usage of all other nations, and the *nature of the operation.*

2d. That the Government should also throw the

expense of coining money upon the public, who receive its benefits, not only as being more consistent with the equities arising from the nature of money and its relations to the general purposes and necessities of society; but as a measure of public expediency, tending directly to the encouragement not only of developing the metallic wealth of the country, but also its coinage, when produced, and the subsequent retention of the coins in circulation.

3d. That the effect of the present laws and regulations governing these operations, is *to offer a premium for impoverishing the country of its precious metals*, by rendering them more valuable for export than for coinage, and, at the same time, to discourage their production. That by cheapening the rates of refining and coining gold, its minting value *at home* will become greater than it is *abroad*, and, consequently, greater than its *commercial value* as a commodity in our markets for the purpose of exportation. And that until this is done, our present laws will continue to *repress production at home, repel importation from abroad, and stimulate the export of what remains in the country.*

Before entering into the discussion of these propositions, the statement of a few general facts will be quite sufficient to arrest your attention, and suggest the inquiry as to what there is in the present aspect of our financial affairs, or in the condition of our material resources and commercial relations, calculated to divert, within any reasonable time, the manifest tendency toward financial and commercial disaster which these facts, if true, would seem to render inevitable.

It must be evident that, in order ever to get the business of the country back to a gold basis, the volume of specie now in circulation must be greatly increased,

whereas, it is daily being diminished, and it is difficult to see how we can even retain much longer the small amount which remains. The present supply of gold and the necessities existing for its production are in an *inverse ratio* to each other, and are daily growing wider apart. From a product of $90,000,000 in 1852, we are now reduced to scarcely more than $35,000,000 for 1869. And out of a product aggregating nearly $1,200,000,000 in the last twenty years, and a coinage of $2,250,000 000 within the same period, by the three great coining nations of the world alone, and of which some $650,000,000 was our own; the amount of metallic currency remaining in the country does not reach $140,000,000. This extraordinary drain upon our resources appears still more alarming, if we confine ourselves to a more recent period. In addition to our export of all other commodities for the five years ending 30th June, 1868, we sent abroad some $750,000,000 of our bonds, and upwards of $400,000,000 of the precious metals, of which $375,000,000 were of domestic production, being an excess of $35,000,000 per annum over our entire product of gold, and $25,000,000 over that of both gold and silver during the same period. With a foreign interest debt alone, exceeding by $30,000,000 per annum our entire present *product of gold*, now that the export of bonds must, to a great extent, cease; the question arises, with what are we to offset for the future, this enormous balance against us? Neither high tariffs nor congressional platitudes against the follies of over importations seem to check it; and even admit that we can, by stimulating our own productions, equalize the interchange of mere commodities; we would still have our interest debt against us abroad, exceeding, as I have before observed, $30,000,000 per

annum *our entire product of gold*, and which must be taken from the stock of coin now in the country.

With the existing necessity of disbursing annually, $120,000,000 from the treasury for interest, and of paying into it from $170,000,000 to $180,000,000 for duties, it does not require any very abstruse calculation to determine what the result must be in the course of time. We need not, therefore, borrow any additional trouble for the present, by anticipating any of those untoward events which might precipitate upon us, in the meantime, any portion of our bonds now held abroad, or the necessity of providing for their redemption at maturity. And equally difficult is it to see how we are, under these circumstances, to increase our specie circulation two or three hundred millions, which would be necessary as a basis of specie payments. We may have short intervals of an apparent change in the course of trade, but there is nothing in the present aspect of affairs which justifies the belief that the drain upon our metallic currency is likely to be permanently reduced within the limits of our supply.

In support of the foregoing general statement of facts, and as preliminary to the observations which follow, I beg to submit, below, a portion of the data upon which they are founded. And, first, as to

The Production of Gold.

The estimates of the production of the precious metals have always been extremely vague and unsatisfactory, and we find that the ablest statisticians differ so widely in their aggregates as to render their statements of little or no value. And indeed, so far as they relate to the production of former periods they are, practically, but of little importance. With reference,

however, to the production of the present epoch, it becomes a matter of much importance when considered with reference to our present, as well as future necessities; and it would seem that we should be able to collect much more accurate and reliable data in relation thereto. And yet, the information usually given to the public upon this subject is singularly defective, and to those having any personal knowledge of the real facts, is grossly erroneous and exaggerated. It is to be regretted that both official statements, as well as the popular impressions upon this subject, are so widely at variance with the real facts, as they are calculated to lead to grave errors in estimating our material resources, where accurate data are essentialin determining our ability to meet our public obligations.

All the discoveries of gold, within the last twenty years, confirm our own experience, which is, that the *maximum* production is reached within a few years following the discovery. Our own production did not fairly begin until 1849, and yet, we attained our maximum of $90,000,000 in 1852, and from that sum declined in ten years to $45.000,000—*a decrease of fifty per cent.* It is true, that our production was again, temporarily, raised by the discoveries of silver in 1860, and while, from the increased production of that metal, from 1862 to 1867—when it culminated—our *aggregate product* has been apparently pretty steadily maintained: yet, that of *gold* has been on a constant decline; and now, that the silver product has also greatly fallen off, the aggregate has again been reduced to about what the gold product alone was in 1862, to wit: about $45,000,000, of which not more than $35,000,000 is gold. In Australia, the discovery was made in 1851, and the maximum of $63,000,000 reached in 1853—

declining in ten years to $32,000,000—thus showing the same proportionate decline to our own product within the following decade. And so, with British Columbia, Colorado, Montana, Idaho, and other more recent and limited discoveries.

The reasons for this are obvious to any one familiar with gold mining, or the nature of gold fields. The shallow placer and river diggings furnish, at first, an immense surface to separate individual mining, requiring no capital and but little labor, and yielding within a short time an immense product. But these soon become exhausted, and are followed by deep placer, hydraulic, and quartz mining, which require both capital and a combination of labor for their development; and the production of gold necessarily becomes more difficult and expensive—often resulting in failure and the total loss of all former earnings, and, not unfrequently, in absolute ruin.

I have adopted a different method for arriving at the product, from that usually resorted to for this purpose, which seems to have been but little better than the crude approximations of individual miners, bankers, and others, whose pursuits are supposed to render them competent judges, but who really have no data sufficiently comprehensive to determine the aggregate product. I go upon the theory that *native gold* is not *hoarded as bullion*, nor is it used to any extent *in the arts* —as the silver it contains renders it unsuitable for such purposes, as compared with gold coins, which are properly alloyed, of known value, and are, besides, cheaper. Our entire product of gold, therefore, must either find its way to our Mints, for coinage, or must be exported *as bullion*. The annual reports of the Director of the Mint furnish us with data, absolutely accurate, as to

the gold of *native production* deposited at the Mint and its branches. If we deduct from this amount the *fine bars** manufactured and not re-deposited for coinage, and which will be accounted for in the exports, we arrive at the amount of original deposits of gold of native production actually converted into coins. If, then, we add to the amount, thus ascertained, the *exports of gold bullion* of native production, as shown by the Commerce and Navigation reports of the United States, we arrive at the *total product.* I may observe, that, as between consecutive years, there may be some overlapping, and are some apparent omissions or imperfect segregations of gold from silver, and bullion from coins, in these reports—yet, the aggregate results are substantially correct, and conform very nearly to those verified by the independent method of arriving at the product, based upon our local receipts and shipments here, which comprise ninety per cent of our gross yield.

Pursuing this method, our production and exports, for the five years ending June 30th, 1868, may be succinctly stated as follows:

PRODUCTION OF GOLD.

Gold of *native production* coined from 1864 to 1868	$116,130,790
Gold of native production exported *as bullion*......	84,229,771
Total production of Gold...........	$200,360,561
Average production of Gold	40,072,112

* By improperly including the *bars* made at the Mint and its branches, in the gold *coinage* of the United States, as published by the Treasury Department, and compiled from the Director's annual reports, there is an error of some $213,000,000 in the statement of *gold coinage,* well calculated to mislead any one as to the amount of gold coin which has been put into *actual circulation.*

Total Export of Precious Metals.

U. S. Gold bullion exported as above	$ 84,229,771	
U. S. Gold coins exported (as per Commerce and Navigation reports)	237,109,517	
		$321,339,288
* U. S. Silver coins and bullion exported		52,465,570
(Average $74,760,171.)		$373,804,858
Foreign Gold and Silver bullion and coins re-exported		26,743,512
Total Exports....		$400,548,370
Average Exports		80,109,674
For the five years immediately preceding the war the exports of Native bullion and coins were ($52,216,596 per annum)		$261,082,983
And of Foreign imports, re-exported...........		36,866,171
(Average $59,589,830.) Total............		$297,949,154

I append this additional statement to disabuse any impression which may exist that our enormous exports of the precious metals are chiefly due to causes growing out of the late rebellion. It appears that before those causes began to operate and during the period of our greatest production of other commodities, we were exporting more of the precious metals than we are now producing, and that we must seek for other explanations of this exhausting drain upon our metallic resources.

An eminent authority has told us, that "gold and silver, like other commodities, *shun the markets* where they are not taken for their *full value*, and flow toward those where they meet with *better terms*." And in this

* Probably some $10,000,000 of this amount was gold contained in Washoe silver exported without refining.

aphorism we may find a partial solution of the difficulty. Gold is chiefly valuable for the purpose of coinage; and, in consequence of the smaller Mint charges prevailing in foreign countries, as compared with our own, the product of our mines becomes *more valuable for export than for coinage at home*, and it therefore commands *a premium in our own markets above its coining value in our Mints*, and yet furnishes to the exporter *a profit on its out-turn abroad*, above the par of the exchange he draws against it.

I do not desire to be understood as arguing that any change of our Mint laws will put a stop to the export of the precious metals, when it becomes necessary for the adjustment of *the balance of trade.* That is one of those inexorable commercial necessities so well understood, that it would be folly to pretend to the discovery of any expedient which would obviate it. My proposition simply is, that when the balance of *trade is not against us* the precious metals are exported *as commodities* for the profit, on their out-turn, above the par of exchange, or may be so exported *in excess* of what the balance of trade *requires.* In other words, when the market is abundantly supplied with *commercial* bills, with which *bankers* could cover their own exchange, they still prefer to ship bullion, not only as being a safer remittance, but as also furnishing a profit on the out-turn, equal to, or perhaps exceeding, the discount on commercial bills. Furthermore, that while the balance may be *against us in the aggregate*, yet, with reference to particular periods of time and to particular countries, it may be in our favor, and that a nation may become *an importer* of the precious metals *as commodities*, without reference to the *balance of trade.* Such, indeed, is our daily experience here.

While we are exporting our unrefined gold and silver to Europe, and our refined metals to China, we are importing gold from British Columbia and silver from Mexico. While in the last ten years we have exported about $612,000,000 of our *native product*, we have imported $157,000,000 of *foreign treasure*, and yet we receive no practical benefit from it, as a means of increasing our metallic circulation; for it no sooner reaches our market than it commands a *premium above its value in our Mint* for re-export, when it is in the form of *bullion;* and when in coins it only entails a loss upon *American commerce*—as they are received abroad at *a greater valuation* than they will realize either in our markets or at our Mints. And we are, therefore, in every event and under every condition of trade, the loser. That as the commercial value of gold as a commodity is greater than its value at our Mints, our own production seeks other markets *uncoined*, and that of other nations avoids ours. While, however, there is a profit in the export of *uncoined bullion* taken at its valuation in our Mints, there is always a loss on the export of our *coins* taken at their current value. The result, therefore, of modifying our Mint charges, so as to conform to those of other nations, would *be* to *raise* the coining value of gold at home above its commercial value, and thereby make it more valuable for coinage than for export. It would, therefore, all seek our Mints for coinage; and *when once coined* would be the very last thing any one would want to ship, and never would be exported, except in cases of *absolute necessity*, and when no other medium of exchange could be procured.

If anything further were needed in support of these facts, I have only to refer to the transactions of our

Mint here, and the daily quotations of gold bars in our market. Out of the receipt of about \$40,000,000 of gold annually at this point, it appears that only some six or seven millions go to the Mint *directly*, and the greater portion of that is from remote districts, where its relative value for coinage or export is but imperfectly understood. The prices-current of our market show that for the past two years gold bars have ranged from 880 and 920 par, averaging fully 890, *or one-half per cent more than they would coin in our Mint;* and yet, *at that price*, they would make a better out-turn abroad to the exporter, by over one-third per cent than a similar amount of *gold coins* would do.

Without perplexing you with too much detail in explaining the somewhat intricate mode of accounting for gold in foreign markets, I will simply state what it *practically* amounts to, *as determined* by a large number of accounts of sale *of actual shipment* which *I have personally reviewed.* I will simply state, in advance, that gold, as it is found in its native state on this coast, varies in value from about \$14 50 per ounce to \$19 50; or, say, from 700 to 950 in fineness, with exceptional cases beyond these extremes, but *averaging* about 850 in fineness, or \$17 57 per ounce in value of gold, and containing \$0 18.75 per ounce in silver, making, for 100 ounces, a total value of \$1,775 86. I, therefore, assume this average as the basis upon which to estimate the relative value at different places, only stating that in England there is *no charge for coinage of gold*, and the deductions are made entirely on account of melting, assaying, and refining, which are left to private enterprise. In Paris, the coinage is done by contract, and the refining by private establishments. The contractor is allowed to collect a small seignorage, (6f. 70c.

per kilo) amounting to about one-fifth per cent, but the refining and assaying charges are so small that the entire deductions do not amount to the refining charge alone in London, which is indirectly taken off in the prices allowed for the bullion. In the United States the charges are one-half per cent for coining, and a refining charge varying with the locality and the fineness of the gold. With this explanation, I now submit a statement showing what the *aggregate charges* amount to *per ounce gross*, and their percentage on the value of the gold; also, what they amount to on 100 ounces of such gold, and the *net value* of the same in each place:

PLACE.	Charge per ounce....	Per centage of charge on value of Gold..	Total charge on 100 ozs. of average Gold	Net value of 100 ozs. of such Gold.....
San Francisco Branch Mint	19.88	1.13 p.c.	$20 29	$1,755 57
San Francisco Assaying and Refining Works	16.88	0.96 p.c.	17 29	1,758 57
Philadelphia Mint and New York Assay Office..........................	13.88	0.79 p.c.	14 29	1,761 57
London	9.25	0.53 p.c.	9 25	1,766 61
* Paris................................	7.15	0.40 p.c.	7 15	1,768 71

Value at San Francisco, *as a bar*, sold at the *average* rate of 890 par...	$1,764 13
Value at New York, *as a bar*, sold at the *average* rate of 1-8 on 900...	1,766 33
$1,764 13, (net value as bar at San Francisco) if sent in *gold coin* to London, would yield, at per ounce........................	1,761 15

The above table shows that 100 ounces of gold is worth $8 60 more in our market *for export* than at our Mint *for coinage;* that when sent to New York and resold there at ordinary rates, it commands $2 20 more

* In this instance I have added to the deductions—as per account of sale and out-turn—the *brassage*, or seignorage charge.

than *its cost here as a bar*, and \$4 76 more than it would *coin* in the New York Assay Office; and that when sent from here to London direct, it turns out \$11 04 more *than it mould coin in our Mint*, and \$3 10 more than it cost here. When sent from New York it turns out 90c. more than its cost there—\$5 66 more than it would coin; and, as compared with a shipment of a similar amount of gold coins, would pay \$6 08 more if sent from this place, and \$3 88 more if sent from New York.

I think now I have pretty clearly demonstrated my proposition, that our present Mint laws repress production at home, by unduly taxing what I shall hereafter show is an unproductive pursuit, repels importation from abroad, and stimulates the export of what we already possess.

Such being the facts, there would seem to be but one remedy, if it is desired to check the evil, and that is to reduce the Mint charges. These charges are at present: 11c. per ounce here and 5c. per ounce at Philadelphia and New York for refining or separating the metals, and a half of one per cent for coining the gold—making together, on gold of average fineness, 19-88c. per ounce here, and 13-88c. at the East. I would respectfully suggest that the most effective mode of accomplishing this would be to conform in our practice to the usage of other nations, by leaving the refining of gold and silver to private enterprise, and to abrogate in part, or altogether, the charge for coinage. As the arguments in favor of this course are founded upon a different class of facts, so far as they relate to the different operations, I propose to make a separate statement of the considerations which, in my opinion, would justify the change. And, first, with regard to the

Refining of Gold and Silver.

Gold, as it is found in its native state, contains too much silver (from 10 to 15 per cent) to be suitable for the purposes of coin, and silver not unfrequently contains a considerable portion of gold. Refining gold and silver, therefore, is nothing more nor less than a simple separation of the metals—silver being soluble and gold insoluble, in sulphuric and nitric acids.

The operation is not, legitimately, any portion of the duties of a Mint; and it is almost the universal practice among other nations to leave it entirely to private enterprise, and to limit the operations of their Mints to the manufacture and coinage of money. There is no special reason now existing why the Government should engage in a *purely manufacturing operation* of this character more than any other; and the practice is founded upon no better argument or greater necessity than that which, by a parity of reasoning, would justify it in engaging in the manufacture of every article which it consumes. It had as well manufacture the paper upon which it prints its currency, as to manufacture the *refined gold* from which it makes its standard gold; and could, with equal propriety, extract the metals from their ores as to separate them from each other, or manufacture its own acid and refine its own copper, which are all preliminary steps to the operation of coining money. The operations are entirely analogous, so far as they relate to the *duties or necessities of the Government.*

The early practice of our Mint conformed, in this respect, to the usage of other nations; and in our original Mint law no allusion is made to the refining of gold and silver, nor was there even such an office as

that of Melter and Refiner created by it. Indeed, for the first thirty-five years after its establishment, our entire native production of gold was only about $110,000 for the whole period—the circulation of gold in those early days being extremely limited, the chief supply being the coins of other nations. As our own production began to increase, however—as it did about 1830, but still inadequate to sustain a private establishment—the operation of refining was commenced in the Mint, by sufferance, as it were, and without any specific authority, as a temporary expedient, and has gradually become engrafted upon our Mint system until it has come to be regarded by the public as a portion of its legitimate duties. The law prohibits it from becoming a source of profit to the Government; and, while it also forbids its becoming an expense, it has failed to prevent it from doing so, as it often gives rise to heavy losses of the precious metals, which are only ascertained by an annual settlement of accounts, conducted at greater or less expense to the Government and inconvenience to the public, by the necessary interruption of its operations. Were the Government to cease refining, the metal which would then be in the hands of the operative officers would always be in definite form, of known weight and value, and a perfect check could be thereby always maintained, and any undue loss at once detected and further waste prevented. For the want of such a check, the Government lost upwards of $300,000 in our Mint here in the course of eighteen months. It seems, however, to have appreciated this abnormal condition of things at an early day, and with the evident desire and apparent intention of conforming to the practice of other nations, the extent and richness of our gold discoveries

had no sooner become thoroughly established, than Congress passed the following law:

"*And be it further enacted*, That when private establishments shall be made to refine gold bullion, the Secretary of the Treasury, if he shall deem them capable of executing such work, is hereby authorized and *required* to limit the amount thereof which shall be refined at the Mint at Philadelphia, from quarter to quarter, and to reduce the same progressively, as such establishments shall be extended or multiplied, so as eventually, *and as soon as may be*, to exclude refining from the Mint, and require that every deposit of gold bullion made therein for coinage shall be adapted to said purpose, without need of refining: *provided*, that *no advances in coin* shall be made upon bullion after this regulation shall be carried into effect, *except upon bullion refined*, as herein prescribed."—*(Act, March 4th*, 1853, Ch. 97, Sec. 5.)

And made applicable to Branch Mint at San Francisco, by Act of February 20th, 1861, Sec. 3.

About a year subsequent to the passage of this Act, our Branch Mint here went into operation; and some three years later, the first private refinery was built. At that time, the charge for refining at the Mint was fourteen cents per ounce, and at the private refinery ten cents. When the latter passed into the hands of the present owners, the charge was reduced to eight cents, and that of the Mint was put down to eleven. While, therefore, the *theory* of the Government, in this case, has been in accordance with its general policy of protection and encouragement of domestic enterprise, its *action* has been the very reverse, and it has done all that it could do to crush out every thing like private refining, by furnishing its buildings and machinery, with a large capital, to refine gold *below its actual cost*, and to thus offer advantages which it could not do upon any ground of fair and legitimate competition.

It is needless to add, that this is not only a palpable violation of law, but a great injustice to those who have engaged in the business of private refining, under the

emphatic sanction and promise of encouragement extended by the Act above quoted.

While such are the facts of the case, I am very far from advocating the enforcement of this Act in the particular manner prescribed by its own terms—at least, so far as this country is concerned. The great staple element of our wealth and industry is the mining interest of the country. In many of the more remote parts of it, no other institution but the Mint is known; and in others where such is not the case, it is preferred, even at a higher cost, from a popular belief that the returns made by the Government are either more accurate, or more favorable than those of private institutions. As an officer of the Mint myself, for many years, and, subsequently, as a private refiner, I am fully aware that this prejudice has no foundation in fact—not only from my personal knowledge of the manner of doing work in both institutions, but, *by actual comparative results on the very large scale* which our own business with the Mint furnishes. Nevertheless, the prejudice exists, and, from the proverbially suspicious nature of mining communities, will probably never be removed. And, as it affects important interests, I would suggest some other mode of accomplishing the same end, which would not do violence to either the prejudices or supposed rights and privileges of those who desire to patronize the Mint. I took occasion, some two years ago, to make a similar suggestion, and to indicate the mode by which it might be done. The proposition was examined by the Superintendent of the Mint here. the Director at Philadelphia, the Secretary of the Treasury, and the Committee on Coins of the lower house of Congress, and was approved by them all, and, I think, will be found by

you to be entirely unexceptionable. It was simply this:

It is well known that, at present, when a depositor carries his gold to the Mint, it is weighed, melted, and assayed; and from the weight and fineness of the metal, as thus ascertained *by assay*, the value is computed, and the depositor paid from the bullion fund of the Mint, *long before his deposit is either refined* or coined. When it subsequently comes to be refined, it is *the exclusive property of the Government*, and *the original depositor has no interest whatever in it.* Up to this point, I would suggest no change. Let every one go to the Mint who desires, and have the Government to receive, melt, and assay his gold, compute its value, and pay him *exactly as it has always done.* Then, all his interest in it ceases. But, when the depositor has been paid, and the bullion becomes the property of the Government, instead of refining it *at a loss*, as it now does, let it be exchanged for gold *already refined*, at a rate which will leave the Government *a profit* from its charge for refining, which it has made against the original depositor. This charge is now eleven cents per ounce—whereas, we propose to do the work for eight cents, and to deliver the refined gold *in advance* of receiving the unrefined, for which it is to be exchanged. It is, therefore, absolutely without risk. It secures the Government *a profit* instead of entailing *a loss;* and, at the same time, leaves the Mint open to all who may desire to patronize it, and, therefore, interferes with no one's rights or privileges, real or imaginary.

As free from every conceivable objection, as this simple proposition would seem to be, it is proper to inform you that it has, nevertheless, been met with strong opposition in certain quarters. The opposition,

however, was based upon grounds wholly without foundation; and, as it may be renewed, it will save further explanations to state, in this connection, the alleged objections and the reply thereto. It is alleged that, under this arrangement, private refining would become a monopoly — through which extortionate charges could be exacted—and the movement of bullion controlled. The answer is simple and conclusive. No such thing could possibly occur—for the reason, that the Mint only refines some *six or seven millions*, out of a product of about *fifty millions of gold and silver per annum;* and the exchange of that amount, with a private refiner, could in no wise affect the control of the *forty odd millions*, which would not *be open to all* who might desire to enter into private refining. As the private refiner is simply *the bailee* of the depositor, he is compelled to return him his gold in the exact form that *he may direct;* and, as he must substitute a *refined ounce* for the *unrefined one* deposited at the Mint, it is impossible to *divert an ounce* of bullion from the particular mode of treatment, *directed by its original depositor.* And the only manner in which he could control an ounce of bullion, would be to go into the market and *buy it*, and which, of course, is open to all. With reference to the charges, as the Mint would be left open to all, they would be controlled entirely *by the Government*, which would fix the rate at which the exchange would be made. But even if they were not, the private refiner could not make them extortionate or oppressive, for, if he did so, it would lower the *coining* value of bullion below its commercial value as a commodity for export, and it would, therefore, be sent abroad *unrefined*—as it now is—and he would lose the work.

The fact is, that the interest of the private refiner, in this matter, is identical with that of *the Government and the producer of the gold*, which is, to make the *coining or Mint value* of bullion *greater* than *its market value as a commodity*—as that will stimulate its coinage, rather than its export, and will give to *the producer* the benefit of *its increased* value, instead of to *the exporter*, who now receives it, in addition to the premium on his exchange, which he sells against it. This can be only done by reducing the Mint charges. I should not have deemed it necessary, and would have greatly preferred not, to have made any reference to the bearing which this question has upon private interest, being perfectly content—so far as those which I represent are involved in the issue—to leave them entirely to the operation of the utilitarian principle: of the greatest good to the greatest number—desiring nothing in the premises which is not clearly justified *upon grounds of the public good.*

In view, then, of the foregoing facts, I respectfully submit, as legitimate deductions, that from the nature of the operation of refining gold and silver, it does not properly pertain to the duties of the Government, nor to the legitimate functions or purposes of a Mint. That it can be done much more economically by private enterprise* than it can by Government; and that in order to secure the greatest possible advantages to the public it should be fostered and protected as any

* There are a number of reasons why this is so. Private individuals having a more immediate and complete control over their own affairs than public officers have over those of the Government, and a far greater personal interest in the results, can exercise a greater economy in their management. And private refiners also employ a process which cannot be carried on in the heart of a city, which is not only much cheaper and more expeditious than that employed by the Government, but which produces at the same time valuable by-products which tend to cheapen still further the cost of their operations.

other manufacturing enterprise is, under such regulations as will secure to the public the benefits which may result from such protection, and the increased facilities which it is calculated to produce.

At the present time, the charges for refining silver at this establishment are below those of either London or Paris, although the expenses cannot be less than treble. Our charges for refining gold are also considerably lower than those of London, but not so small as in Paris. But as they have a small seignorage charge, (where the coinage is done by contract) and also certain assaying and melting charges, the total deductions made in Paris are fully equal to our refining charge, which covers the cost of every operation, and is considerably above that of our Eastern Mints. If, then, the refining of gold and silver shall be left to private enterprise, and the charge for coinage be repealed, gold will become about three-fourths per cent more valuable for coinage than it now is, and nearly our whole product will at once seek our Mints, instead of foreign markets; *and being once converted into coin will not be exported, except in cases of absolute necessity*, when no other medium can be obtained, which will pay a profit on its out-turn above the par of exchange, as unrefined bullion now does.

This, then, brings me to consider the other branch of the subject, which is the repeal of the

Seignorage Charge.

The coinage and legitimation of money seem to have been in all ages the exclusive prerogatives of sovereignty. And the seignorage, as the word implies the tax upon the coinage, paid as a royalty to the crown or other paramount authority. It has been employed in

different ages for different purposes, and to various extent. In earlier periods, it was regarded principally as a means of revenue. But as more enlightened principles of commerce have gradually prevailed, and foreign exchanges become more extended and complicated, the necessity of relieving money, the universal medium and measure of value, from all arbitrary valuation or taxation calculated to affect its uniformity; has induced all commercial nations to abandon seignorage, as a means of revenue, and where they have not abrogated altogether, to restrict it to the actual expense of fabricating the coins, and to employ it incidentally as a means of retaining them in circulation.

Upon reflection, there seems to be a well-founded reason for this, viewed as an abstract question. Applied science and human ingenuity have been exhausted in efforts to produce the most accurate and invariable standards of measurement, by which volumes or quantities, weights and areas, are determined, with the view of ascertaining the *exchangeable values* of all commodities in which men deal. There would seem to be, therefore, an eminent propriety that the *standard of value* to which they are all sooner or later referable, which is common to all things as well as to all nations, and is the *universal equivalent* for which men contract in their dealings with one another, should, above all other measures or standards, be an *immutable unit*, unaffected by the vicissitudes of human affairs, and placing the validity of obligations and good faith among men equally beyond the caprice or control of arbitrary power or the dictates of human cupidity. Gold, the most precious and incorruptible of all the simple substances, having, by common consent of civilized and commercial nations, been adopted as

the most suitable substance for such a purpose, having an intrinsic and indefeasible value of its own; the idea of assigning to *a definite portion* of it, a certain fixed denominate value, seems to realize more nearly than any other human device yet adopted, *the perfection of money.* Such seems to have been the theory upon which Great Britain settled some two hundred years ago, after her ablest statesmen, financiers, political and scientific writers, including such names as those of Newton, Locke, Hume, Lord Liverpool, and others; had repeatedly reviewed the whole subject in the various able discussions of it which had taken place from time to time. It was by an Act of Charles II that it was ordained, that whoever should carry bullion to the Mint should receive "standard weight for standard, and sterling for sterling, in coins, without any defalcation, diminution, or charge for assay, coinage, or waste in coinage." And as the result of this policy we find that under James II it was further approved and continued, lest "this Kingdom be deprived for the future *of so great a good*, as it hath thereby for these years last past enjoyed."

According to this theory, in the language of M. Chevalier: "pieces of money are merely ingots of uniform weight and fineness for each description of coin, and certified as such by Government, by means of an impression which it stamps upon them."

As the charge for affixing these "stamps," known as the seignorage or coinage charge, affects the *intrinsic* value of money, under certain circumstances, and also the *convertible value* of uncoined bullion, it is proper to consider what are the supposed advantages which have induced different nations to adopt it at various times in its more or less modified forms.

Seignorage is of two kinds, and essential and important differences in its effects result as the one or the other may be employed. The one is where the *full weight* of the bullion deposited is converted into coins, and a portion of these coins, equal to the amount of the seignorage, is reserved by the Government, and the remainder delivered to the depositor. Such is the seignorage at present imposed upon our gold coins and silver dollar. The effect of it is, inasmuch as it is a deduction from the *value* of the deposit, to repel gold from the Mint, and stimulate its export by rendering it less valuable in that institution than it is in similar establishments abroad, where either a much smaller or no deduction at all is made for coinage. It also operates as a great injustice and hardship to depositors by imposing upon them entirely the expense of coining money, in which the whole community are equally interested. It therefore simply serves the purpose of defraying the expense of coinage, but does not assist in preventing the diversion of the coin from its legitimate purpose by melting it down or exporting it, as its weight *as bullion* is equivalent in value to its denominate value *as coin*—less the legal remedy of weight and accidental abrasion.

The other mode of levying a seignorage is, to pay the depositor the *full value* of his bullion, but to do so in coins which do not contain the *full weight* of his deposit. The Government thus reserving for the seignorage a portion of *uncoined bullion*, and converting the remainder into coins which, *by tale*, are equal *in value* to the *whole weight* of the deposit. Such is the seignorage at present imposed upon the subsidiary coins of this country and Great Britain, and formerly upon the gold coins of France under the edict of January, 1726.

A simple example will make the distinction more apparent: If I, under our present system, take to the Mint 53.750 ozs. of standard gold, which are worth exactly $1,000, the operation is to convert it into 100 eagles—the Government reserving half an eagle, weighing 0.26875 ozs, and returning to me 99½ eagles, weighing 53.48125 ozs., and being worth $995.

The other operation would be to take this 53.48125 ozs., which are now the weight of 99½ eagles, and convert them into 100 eagles worth $1,000, and deliver me *the whole amount.* The seignorage would thus be the same in both cases, though the result very different, so far as the depositor is concerned, as he in both instances passes his coins at their *denominate value*, without reference *to their weight.*

The effect of a seignorage, thus imposed, resembles the former only so far as it serves to defray the expense of coinage. In all else it is different, and in most respects the very reverse. It stimulates coinage by giving the depositor the *full value* of his gold, and discourages the melting or exportation of the coin, as the *bullion* it contains is not equal in value to that at which it circulates *as money.* It is a seignorage as thus explained and understood, which many leading political economists have advocated as the most effective means yet adopted for the encouragement of coinage and its *retention in circulation.* So long as the coin continues to circulate, the tax falls upon no one, as it does so according to its *value*, and not according to *its weight.* If it is exported, it is true, that it would, constructively, fall upon the exporter; but in point of fact, would only affect the rate of exchange, which would add in a corresponding degree to the *cost of imports*, and it would be thus ultimately thrown upon the public,

where it properly belongs, through the consumption of foreign commodities, and would thus become entirely imperceptible. It is only when melted down for the arts, or otherwise, that the tax would fall upon the individual, as the *bullion* he would get would not be equal in value to that of the coin.

In order, however, that you may fully understand the technical objections to this mode of levying a seignorage, as well as its advantages, I will here state that it has been alleged that *it changes the measure of value*, and therefore operates as an injustice to creditors. That as it reduces the amount of *fine metal* contained in the coin, though its denominate value remains the same, the person who receives it in payment of an *old debt* does not receive the full amount of the obligation discharged. Upon reflection, this objection, after all, is a mere sophism and the assumed loss a fiction. It is founded upon the absurd proposition that any one who thus receives coin in payment of a debt, desires to *convert it into bullion*, and thus destroy its distinctive character *as money* by converting it into a *commodity*. No such thing, however, occurs. He simply pays it out again, at the full denominate value of the old standard; and it so continues to circulate until, as I have before observed, some one seeks to divert it from its legitimate use as money, by melting it down for the bullion it contains, and it therefore operates just as it was intended that it should, in preventing its being used for any other purpose than that for which it was designed. The alleged injustice, therefore, to creditors, is wholly theoretical and constructive. But even were it *practically* true as a *general proposition*, it still would not apply to our gold coins, for while they are a legal tender, they have never been, with us, a measure of

value, technically considered, and have been repeatedly changed in both their weight and fineness. Our monetary unit has always been the silver dollar, and upon its value, and the *fine metal contained*, all of our foreign and arbitrated exchanges have been based. It is true, that we have once changed its weight, but a corresponding change was also made in its fineness, so that the amount of *pure silver* contained has been scrupulously preserved; whereas, our gold eagle of 1792 contained some sixty-six cents more of pure gold (according to present valuation) than it has done since the change of standard of 1837.

It has been further objected, that in changing from a coinage of full weight to one *by tale*, or, from one system of seignorage to the other, you create a necessity for re-minting the old coins. But this by no means follows, and clearly could not do so unless the *reduced weight* of the coin should *exceed* the amount of seignorage; for while the old coin might contain more *pure* metal, yet the depositor would only get the *same number* of new coins as he took old ones to the Mint, and as they would have the same *denominate* value, there would be no profit in his doing so. But there is no necessity for this. The late Director of the Mint recommended, in his last annual report, that the present charge for coinage be reduced from a half to a quarter per cent. which would be 2½ cents to the eagle. But this would only be a partial remedy for the evils now existing, as it would still retain the objectionable feature, if we consider it with reference to the encouragement of coinage, of making the seignorage a deduction *from the value* of the bullion, and therefore throwing it exclusively upon the depositor. The eagle at present contains 258 grains of standard gold; a quarter per cent

would be $2\frac{1}{2}$ cents, which, under the present system, would reduce the value of that coin to the *original depositor* to $9 $97\frac{1}{2}$. If, instead of this, however, its weight were reduced from 258 grains to $257\frac{1}{2}$, and at that weight to be delivered in payment for 258 grains to be deposited, it would then be worth its full denominate value of $10 to the depositor; and yet the Government would make 1 94-100 cents profit from its coinage, which would be about equivalent to the French seignorage of one-fifth per cent, in stead of a quarter, as recommended by the Director.

Such, then, is seignorage, technically considered. It is a subject which has been ably discussed at various times within the last two hundred years, by leading political economists, especially in England, where, after various modifications and ingenious attempts at throwing it upon the public, without its being felt as a tax, it was finally repealed altogether under Charles II, and no nation has since experienced less inconvenience from the derangement of its currency or greater commercial prosperity.

The subject has also been once discussed with marked ability in this country, and, although the condition of our metallic currency, as well as the sources of our supply, was, in many particulars, essentially different from what it is at present, I find the general conclusions arrived at so entirely in accordance with those resulting from the discussion of the subject by the *ablest* authorities in other countries, and also so confirmatory of my observation of the facts developed in my own business under the influences of a seignorage, as indicated, that I cannot resist the temptation to give here the general results of that discussion.

As far back as 1832, Congress appointed a special

committee upon the condition of the currency, and, in a very comprehensive resolution of instructions, directed them, among other things: "To inquire into the expediency of authorizing prompt payment in coin for bullion delivered at the Mint, and requiring a seignorage not exceeding the expense of coining, * * * and what further measures are requisite for the purpose *of preserving an adequate supply of gold and silver coins in use, and increasing the specie circulation of the country.*"

The report of Mr. Campbell P. White, the chairman, is exhaustive of the whole subject, not only as regards the condition of the currency then existing, the causes thereof, and the appropriate remedies, but also of the whole theory and science of money and its relations to commerce. The report of the committee is also accompanied by one from Mr. Samuel Moore, the Director of the Mint at the time, which is a masterly statement of the subject, technically considered, as well as its financial and commercial corollaries. As the result of their investigation, the committee's report says:

"Upon mature deliberation, the committee cannot doubt the correctness of the following general principles in regard to money, corroborated by the history of commercial nations, and recorded in their former report:

"1st That gold or silver is the only sound, invariable, and perfect currency that human wisdom has yet devised.

"2d. That every nation will possess its equitable and useful portion of the gold and silver used as money, *if they do not repulse it from domestic circulation by substituting a different medium of exchange.*

"3d. That *one metal* may be selected, with a certain assurance of finding *in the metal chosen* such proportion of the entire amount of the money of commerce, as their exchangeable commodities bear to the total amount of merchandise produced.

"4th. If both metals are preferred, the like relative proportion of the aggregate amount of metallic currency will be possessed, subject *to frequent changes from gold to silver*, and *vice versa*, according to the variations in the relative value of these metals.

"The committee think that the *desideratum in the monetary system is a standard of uniform value;* they cannot ascertain that both metals have ever circulated simultaneously, concurrently, and indiscriminately, in any country where there are banks and money dealers; and they entertain the conviction that the nearest approach to an invariable standard is its establishment *in one metal*—which metal shall compose, exclusively, the currency for large payments."

With reference to the question of a seignorage, they say: "The charge for coinage, called 'seignorage,' has been of various extent. As *an abstract proposition*, it may be considered as equitable as any other tax. When it is levied, as in France, with the view of defraying the expenses of the Mint, it appears to be strictly just, and entirely unobjectionable. These expenses are contracted for the *public convenience;* and the security and facility given to small transactions, from the use of national coin, is an ample compensation. *The charges on coinage must be borne by the nation;* and, whether they are paid out of the revenue, as in England—or, at the Mint, as in France—the result is not materially different. The French system estimates gold bullion at about three-tenths of one per cent,

and silver, at one and one-half per cent, *under its weight in standard coin.*" *

Mr. Moore, the Director, in his report upon the same subject, observes:

"In regard to seignorage—the design of this, would, it is presumed, be two-fold: to lessen the expense of the Mint to the public treasury, *and to retain the national coins in the country, by diminishing their liability to be exported.*"

"Under existing regulations, *the whole* of a deposit of bullion, at the Mint, is returned to the depositor, in coins. * * * * The proposition now is, to set apart for the Government, in future, a certain portion of the bullion thus deposited; and, out of the *remainder*, to make for the depositor *as many coins* as are now made from *the whole deposit*, and to declare them a legal tender *at the same value as our present coins of full weight.* This is understood to be intended by the term 'seignorage.' * * * * The principle of a seignorage, of the character in question, *is specifically different* from *a charge for coinage*—equal in amount to the given seignorage, but exacted by setting apart, for the Government, an equal proportion *of the coins,* when *finished of full weight,* and delivering the remainder to the depositor.

"But would this evil, of an exportation of the national coin, be deferred and restrained, if not wholly obviated, under a seignorage, which would make the legal value of our coins more conspicuously higher *than their value as bullion?* and, under such a seignorage, would not the United States have possessed, at

* Whatever may have been the practice of the French Government when this report was written, it now issues its coins of full weight.

this time, a more copious metallic currency? The solution of this question, especially the latter branch of it, *is vital to the whole country.* * * * *

"Another characteristic of it (the seignorage) is, the one before alluded to—*that it accrues to the depositor*, and, therefore, *does not repel him from the Mint.* On full reflection, it appears to me manifest *that this last condition is essential;* and that, if any further diminution of the coin shall be adopted—with a hope of thereby increasing the permanent mass of metallic currency—that, in like manner, *it should accrue to the depositor;* if otherwise, bullion will not come spontaneously to the Mint."

Although the above was written nearly forty years ago, and under an aspect of public affairs essentially different, in many respects, from that now existing, it would be difficult to state, with more admirable force and terseness than is here done, the influences flowing from our own legislation, which tend, at the present time, to deplete us of our metallic currency, and to render us the *smallest coiners* of the precious metals among the great commercial nations of the earth—although the *greatest producers.* In reviewing, therefore, all the facts, it appears manifest, that every principle of sound policy dictates the necessity of either repealing altogether the present coinage charge on our gold currency, or changing it from the present system to that which, according to all respectable authorities, tends to encourage coinage, and to retain it in circulation. The Government can well afford to do either; and, in this connection, I will mention a fact, not generally known, perhaps, which would fully justify the former course, if it is preferred. The theory of our Mint laws is, that, while the Mint shall be sulf-sustain-

ing, its operations shall not become *a source of profit;* and, while, in point of fact, such is not the case—so far as they relate to gold, but, upon the contrary, is a source of loss—yet, it will be seen by the reports of the Director of the Mint, that the Government is making, *annually*, upwards of *a million dollars* profit, from its *subsidiary coins*, which is more than sufficient to defray the expenses of all its Mints.

The question has another bearing upon an important industry, which furnishes an additional argument for its repeal or alteration. It not only repels gold from the Mint, and stimulates its export—as already explained—but, also, represses its production, as it operates as a tax upon mining; and, inasmuch as that is a very hazardous and unprofitable pursuit,* it virtually

* Nearly all writers persist in repeating the old dogma of the political economists, that "the value of the precious metals depends upon the *cost of production;*" whereas such has never been the case. A practical test applied to our own production will fully illustrate this fact. No one will deny, it is presumed, that within the United States there are at least 100,000 persons engaged *directly* in the processes of extracting the precious metals. Now, to say nothing of the immense amounts of capital invested in mining machinery and other incidental expenses, such as the salaries of engineers, superintendents, agents, secretaries, etc., etc., but simply take the minimum day's wages of these 100,000 men, and which they could earn at any other pursuit, to wit: $3 per day—and for 300 days we have $90,000,000 *as the cost of labor alone* to produce $50,000,000 of the precious metals, or $1.80 to the dollar produced. It would be entirely safe, therefore, to say that every dollar produced costs $2.

The fact is that the production of the precious metals has always been one of those fascinating pursuits which the love of venture, as well as adventure, inherent in man seems to create, and which the romantic and exciting vicissitudes in individual fortune to which it not unfrequently gives rise, continues to incite and sustain. And such seems to have been pretty much the case at all times and in all countries.

"Frequently, indeed, the production of the precious partakes very largely of the nature of a gambling speculation. * * * Ulloa says that in Peru an individual who embarked in a mining speculation used to be considered as *a ruined man*, or as having adventured *in a lottery*, in which, though there are many great prizes, the blanks had a decided preponderance; and, according to Humboldt, the same thing was experienced in Mexico—the search after mines, and the working of them, being there looked upon as a sort of *gambling adventure*, in which many are ruined, while a few only attain great wealth."—*Encyc. Brit. Art.* "*Money.*"

becomes a tax upon *labor and the investment of capital*, and not upon their products. In other words, it taxes a man *for the privilege* of spending his own money and time for the public good—for, while the results of the miner's labors may not be remunerative to himself, they are, undoubtedly, productive of much benefit to the public, in greatly increasing the general wealth of the country. A simple example will illustrate the injustice of this more forcibly. It is within the bounds of probability to suppose, that an "eagle," in the course of its circulation, changes hands one thousand times—thus representing, in the aggregate transactions in which it becomes the equivalent of value, the sum of $10,000. The seignorage of a half of one per cent, paid by the original depositor—and of which everybody else, but himself, gets the benefit—would have a representative value of fifty dollars, or of five times the value of the coin itself. And if we suppose that the miner produces $1,000 per annum, which is about equivalent to simple days wages, the results of his labors would have a representative value, in circulation, of $1,000,000, and the seignorage upon the original $1,000, of $5,000. And, yet, the Government confers no *special* benefit upon him by the coinage of his gold—as it is worth more in the market than the Government pays him at the Mint. And, yet, if the entire cost of our coinage were thrown upon the public, it would only be about *four cents per capita*. You could, with as much justice, charge the manufacturer, or dealer, from whom you buy the parchment, or paper, upon which you print the currency of the country, with the expenses of engraving, plates, and printing, which are necessary to convert it *into money*, as to charge the miner with the expenses of converting his gold into

coins. It would, therefore, clearly appear, I think, that the policy of repealing the coinage charge, as it now exists—or, of throwing it upon the public—becomes almost imperative, not only as an expedient for increasing our metallic circulation, but as a measure of abstract justice, resulting from the nature and functions of money as the universal measure of value, in which every citizen has a common interest.

I have now stated all the material facts, bearing upon this subject, which are necessary to enable you to form a correct judgment as to i s importance, or expediency. It is not for me to recommend any particular course of action in reference thereto, or to decide upon the relative merits of the different modes indicated of remedying the evil. A simple repeal of the present charge is, undoubtedly, the simplest process, and would be equally efficacious as a means of encouraging coinage, while it would, at the same time, avoid those prejudices which have, undoubtedly, always existed in the popular mind, against a coinage which circulates for more than its *intrinsic* value. The latter method would, on the other hand, be more effective in retaining the coin in circulation, and would, at the same time, defray the expenses of coinage, without taxing either the depositor or the Government. But, this, as I have already observed, the Government can well afford to forego, in consideration of the profit it makes from its subsidiary coins.

The policy of a nation, in reference to its coinage, may doubtless be modified by the peculiar conditions of its trade or financial exigencies. When we imposed our present coinage charge, in 1853, we were at the *maximum* of our production, and were producing vastly more of the precious metals than were needed for

domestic circulation. The peculiar effects, therefore, of a seignorage, were not likely to be critically examined at the time, as it produced no perceptible inconvenience or embarrassment; and, whether *the excess* of our production went abroad, from causes resulting from it, or from the natural laws of trade, *which* regulate the interchange of commodities among nations, was of no practical importance. Now, however, the condition of things has entirely changed. Our *production* has fallen off immensely, while our *necessities* for an *increased metallic circulation* have become proportionally greater, and it, therefore, behooves us to analyze, critically, all the causes which have brought about this change, before we can determine upon the proper remedy. This being in the line of your own legitimate duties, I can safely leave its further consideration to yourselves—having, I think, fairly demonstrated my original proposition—and shown, that the theory, enunciated at the outset, is abundantly sustained by the data, submitted as the results of its *practical application.*

I will only make, in this connection, the concluding observation, that so long as this anomalous condition of things exists, there is but little use of discussing questions of a metrical international coinage, as no real unification can take place which would not be at once destroyed again by the operation of an unequal seignorage charge among the nations adopting it—as the coins must necessarily require, sooner or later, a renovation, which would naturally take place at the expense of the nation doing the cheapest coinage, and would thus practically produce a tendency to the unhealthy accumulation of coin and bullion, in the shape of dormant capital, on the part of such nation, from causes which would be independent of those general

laws which regulate the distribution of the money of commerce among nations, in proportion to their exchangeable commodities.

Having now discussed the foregoing questions, as matters of national interest, I may be pardoned if, in conclusion, I make a practical application of them to the more local and somewhat peculiar interests and business necessities of the Pacific Coast.

Whatever else may be her destiny, it seems evident that San Francisco, from her peculiar geographical position with reference to great highways of the world's commerce, must necessarily become one of the greatest commercial *entrepots* and financial centers of the world. Combining, with her extraordinary advantages of position, a constant supply of the precious metals from the numerous sources which are naturally her tributaries, she possesses advantages for commercial and financial exchanges and arbitrations unsurpassed, which, if properly managed, will not only greatly enrich her, but will lead to corresponding benefits to American commerce.

From this point, the three States and two Territories still adhering to a metallic currency—and embracing an area of country five times greater than the whole of our Eastern States—are supplied with their circulation. As the circulation of money is mainly dependent upon the aggregated wealth of communities, and the activity of their trade and enterprise, its volume must, to a considerable extent, be controlled by the facilities for rapid exchanges and the greater or less extension of credits. With an immense area like ours—but a sparse population and a limited credit system, we necessarily require a greater volume of money to do the same amount

of business than a more compact community would. And, as a natural consequence, money matters with us possess but little of that accommodating elasticity by which they adjust themselves to the exigencies of the moment elsewhere. With us, it is principally a question of *direct supply and demand.* And as our vast interior has gradually filled up with population, and new and extensive works of internal improvement have been projected, this demand has naturally increased until it has now grown beyond all proportion to our ability to supply it, and at the same time keep pace with our own material progress, which has also rapidly advanced. The demands upon our local circulation are, therefore, daily becoming greater. while our ability to supply them is becoming all the time less, not only from our own increased necessities, but from the marked decline in the production of the precious metals already alluded to, and the increased activity in the operation of those causes which tend to repel them from our Mint, and drive them to foreign markets, uncoined, as heretofore explained. Periods of more or less stringency of money have been, necessarily, the result of this condition of things--coincident, however, to well known periods of activity of business. The process of absorption has nevertheless gradually gone on, and as the transmission of uncoined gold from the interior serves all the purposes of coin, under our system of inland traffic and exchange, the diminished product not only creates the necessity for a greater supply of coin to the interior, but at the same time lessens the means of producing it. The manifest result of this is, that from perfectly natural causes, and as a consequence of the prosperity of the country incident to the rapid development of its material resources, our local supply of coin has become

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inadequate to represent the magnitude of our increased daily transactions. As much the larger portion of our gold product is now going abroad uncoined, though it is well understood that no expedient can obviate the necessity of settling the balance against us through that medium; yet, there would be a temporary relief afforded, could our whole product be put into circulation *as coin* first, as it would mobilize the large amount of dormant capital heretofore accumulated between the periods of shipment, in the shape of unrefined bars—and would at the same time give to our miners the benefit of the incr. ased value of the gold, which would result from the reduction of charges, as heretofore suggested, as the only means of stimulating coinage, and which is now divided between the *exporter and foreign refiner.*

In support of these facts, and as confirmatory of the statements heretofore made, I submit below a tabular statement of our product for five years, as well as our exports of treasure and the withdrawal of coin from local circulation, as indicated by the receipts and remittances through the Express Companies. It is necessary to explain that, in addition to these receipts, more or less gold reaches the city in private hands, as shown by the amounts coined at the Mint, and exported *as uncoined bullion*, and which more accurately represent the true product. This at one time amounted to as much as twenty per cent, but has now become reduced to about five—but averages, for the period taken, something less than sixteen per cent:

YEAR.	Uncoined Gold from Northern Mines.	Uncoined Gold from Southern Mines.	Coastwise and British Columbia.	Contained Silver in Bullion from Nevada.	TOTAL GOLD.
1864	$19,767,330	$5,347,778	$7,639,894	$5,004,994	**$37,759,996**
1865	21,184,104	5,108,413	6,948,511	5,155,078	**38,396,106**
1866	20,465,520	4,106,975	5,397,100	4,909,079	**34,878,674**
1867	18,643,262	3,013,358	5,665,337	6,511,789	**33,833,746**
1868	20,920,276	2,888,781	3,955,114	5,169,662	**32,933,833**
	$100,980,492	$20,465,305	$29,605,956	$26,750,602	**$177,802,355**

YEAR.	Silver Bullion from Nevada.	Foreign Imports.	Coin from Interior and Coastwise.	GRAND TOTAL RECEIPTS.
1864	$10,009,988	$1,715,024	$5,743,399	**$55,228,407**
1865	10,310,155	1,709,390	4,961,922	**55,377,573**
1866	9,818,156	2,887,028	5,102,785	**52,686,643**
1867	12,623,576	3,969,322	5,340,184	**55,766,828**
1868	10,339,324	3,336,280	7,900,798	**54,510,235**
	$53,101,199	$13,617,044	$29.049,088	**$273,569,686**

I may add, in further explanation, that the year 1864 was the celebrated dry year, so disastrous to our mining and agricultural pursuits, and which accounts for the diminished product of that year—which would otherwise have probably been about $40,000,000. It will then be seen that our receipts of uncoined gold for the period have averaged about $35,500,000, *including* our imports from British Columbia; and show a very uniform decline from all the various sources of supply, with one exception, as well as in the aggregate. As a summary result of our operations, we then have :

Total receipts for 5 years, as stated...		$273,569,686
Sixteen per cent added, as arriving in private hands ..		43,771,149
Total receipts................		$317.340,835
Exports of Treasure for same period...	$222,500,509	
Coin sent to the interior and coastwise.	58,083,488	
Coin taken in for duties (not inc. in exps)	36,482,172	
		317,066,169
Amount added to local circulation for five years......		$274,666

It is proper to explain that the probabilities are, that more gold coin is brought to the city in private hands from the interior, than is taken back in the same manner; but this is believed to be fully, if not more than, counterbalanced by the large amount taken by passengers bound east or abroad, and who only bring us greenbacks in return. The above figures may be assumed, therefore, as substantially correct. By examining the annual reviews of our market, it appears that all of our leading transactions, which indicate the movement of money, have increased within the period under consideration upwards of *two hundred per cent*, whereas, it will be seen our increase of circulation has been less than *the tenth of one per cent*. And as the causes which have produced this result are becoming daily more active, it would seem that the necessity of providing some remedy becomes imperative. From causes well understood here, the gradual decline of product, as above indicated, has fallen, for the current year, in a very marked degree, below the average of former years—thus producing an unexampled stringency in the money market at a period of usual abundance. As much comment has been made, both here and elsewhere, as to the causes of this stringency, and intimations thrown out

that it is more pretended than real, a very few figures will suffice to make its reality more than apparent Our usual local circulation here, in times of ease, is variously estimated at from eight to fifteen millions. Assuming it to be the highest amount, it will be seen that in the short space of six months, ending July 1st, upwards of one-third of our entire circulation was withdrawn :

Coin sent interior and coastwise		$9,644,218
" " east and exported		4,097,745
" withdrawn for duties		3,720,749
Total withdrawal		$17,462,712
Coin supplied by the Branch Mint	$5,347,000	
" received from interior and coastwise	6,819,439	
		12,166,439
Amount withdrawn from circulation in six months		$5,296,283

My own opinion, however, is, that $15,000,000 is greatly in excess of our usual local circulation, and that the amount withdrawn, as above, does not really indicate the great scarcity of coin which produced the stringency.

I have already alluded to the causes which repel our gold product from our Mints, and the small amount which reaches them, principally through ignorance of its relative commercial value. In making the application of this fact to our local supply and demand, it gives us a striking illustration of the total inadequacy of the former, *and the great individual sacrifices at which a partial and temporary* remedy has been heretofore provided. For the two fiscal years of 1867 and 1868 the total amount of gold which went to the Mint for

refining and coinage was less than $13,600,000, whereas the coin withdrawn from circulation, for *duties alone*, for the same period, was $16,200,000, or $2,600,000 *more than the entire amount so coined.* It is true, that during the same period this establishment turned out, through the Mint, some $19,000,000 more; *but it did so at a clear loss of from three-eighths to one-half per cent on the cost of the unrefined bullion in the market.* But those for whose benefit it was coined deemed this loss preferable to that which they must have sustained in the extended ramifications of their business, by the utter prostration of trade and the total paralysis of everything like enterprise in the various departments of our industrial economy, *which would have culminated in a crisis of more or less intensity long before this, but for this forcible supply of coin.*

And now, before concluding, let me anticipate the suggestion which, perhaps, these facts will at once present to your minds, as they have done to others, of providing a financial *panacea* for all of our troubles, by abandoning a metallic currency as the basis of our business, and substituting that of a paper circulation. It is a *nostrum* that would greatly aggravate the evils complained of, and its suggestion is either the result of a want of reflection on the part of those who make it in good faith, or of the grossest ignorance of the most common laws and principles of trade, on the part of those who make it from other motives. As a new country, the balance of trade is heavily against us, and will probably continue so for a long time to come. We are now importing from the Eastern States, and abroad, from sixty to seventy millions per annum, which is fully equal to, if it does not exceed, the whole

excess of our domestic commodities, and our *entire product of the precious metals*, together. With this enormous balance against us, and the high rates of exchange existing, we could not carry on the business of the country for twelve months on a paper currency, before coming to a dead-lock *for the want of money.* Our whole circulation would find its way to the East, in the way of remittances, to avoid the greater cost of bankers' exchange; and we would find ourselves much worse off than the western banks, whose circulation, from the same causes—in a more modified form—is constantly being concentrated in the great financial centers of the Atlantic board. A convincing proof of this may be found in the fact, that even for the limited disbursements of the Government on this coast, the supply of currency is inadequate, and considerable amounts have to be transmitted from the East for that purpose, and which at once finds its way back again. Who, then, is to provide us with a currency, and *keep us supplied*, adequate to transact the entire business of the country? With a gold currency we at least have the source of supply *at home*, and though it may be drawn off from us more rapidly than we could desire, it at least has the faculty of *replacing itself*, in a measure. But your paper currency, once gone, who is to bring it back? And even if we could find some one so public spirited and philanthropic as to do so, *at his own expense*, what is he going *to pay for it with?* Our gold is already inadequate to pay for our necessary imports *of commodities*—with what then are we going to pay for our imports *of money?* When these *practical* difficulties are obviated, it will then be quite time enough to consider the proposition. It is all very well for those unacquainted with our local necessities, and

the peculiarities of our business, to impugn the sagacity of our business men, or misrepresent the motive of their action in adhering to a gold basis. They may indulge in facetious and invidious comparisons at our expense, as we can safely rely upon the future for a vindication of the soundness of our policy.

Permit me, in closing, to solicit yourindulgence for the many imperfections of this communication—written, as it has been, under a great pressure of other business, and amidst constant interruptions, wholly inconsistent with the care and deliberation which the subject requires. If it serves to interest you sufficiently to lead you to investigate it as its importance deserves, I shall consider my time well employed, as I think a full and complete examination of the questions to which I have alluded can lead to but one conclusion.

With great respect, I remain,

Your obedient servant,

LOUIS A. GARNETT, *Manager*,

San Francisco Assaying and Refining Works.